

**ABSTRACT**

A method is provided allowing an application processing entity such as an independent sales organization (ISO) or an acquirer bank (ACQ) to establish an active merchant account for processing credit card transactions. According to the method, a merchant may begin processing credit card transactions over the Internet or in a conventional bricks-and-mortar setting substantially immediately upon applying for a new merchant account which may be accessed when a merchant applies for a new account or obtains identification numbers in real time. The application processing entity sends an on-line merchant account application to the merchant, who completes the form and sends it back to the application processing entity. The application processing entity then selects a merchant identification number, a terminal identification number and a gateway identification number from a pool of available identification numbers or obtains these identification numbers in real time and creates an account record associating the merchant with the selected identification numbers. These numbers are then transmitted to the merchant. The merchant may begin processing transactions immediately upon receiving the identification numbers; however, a divert flag is set which prevents funds from being dispersed to the merchant until the merchant application completes an underwriting process.